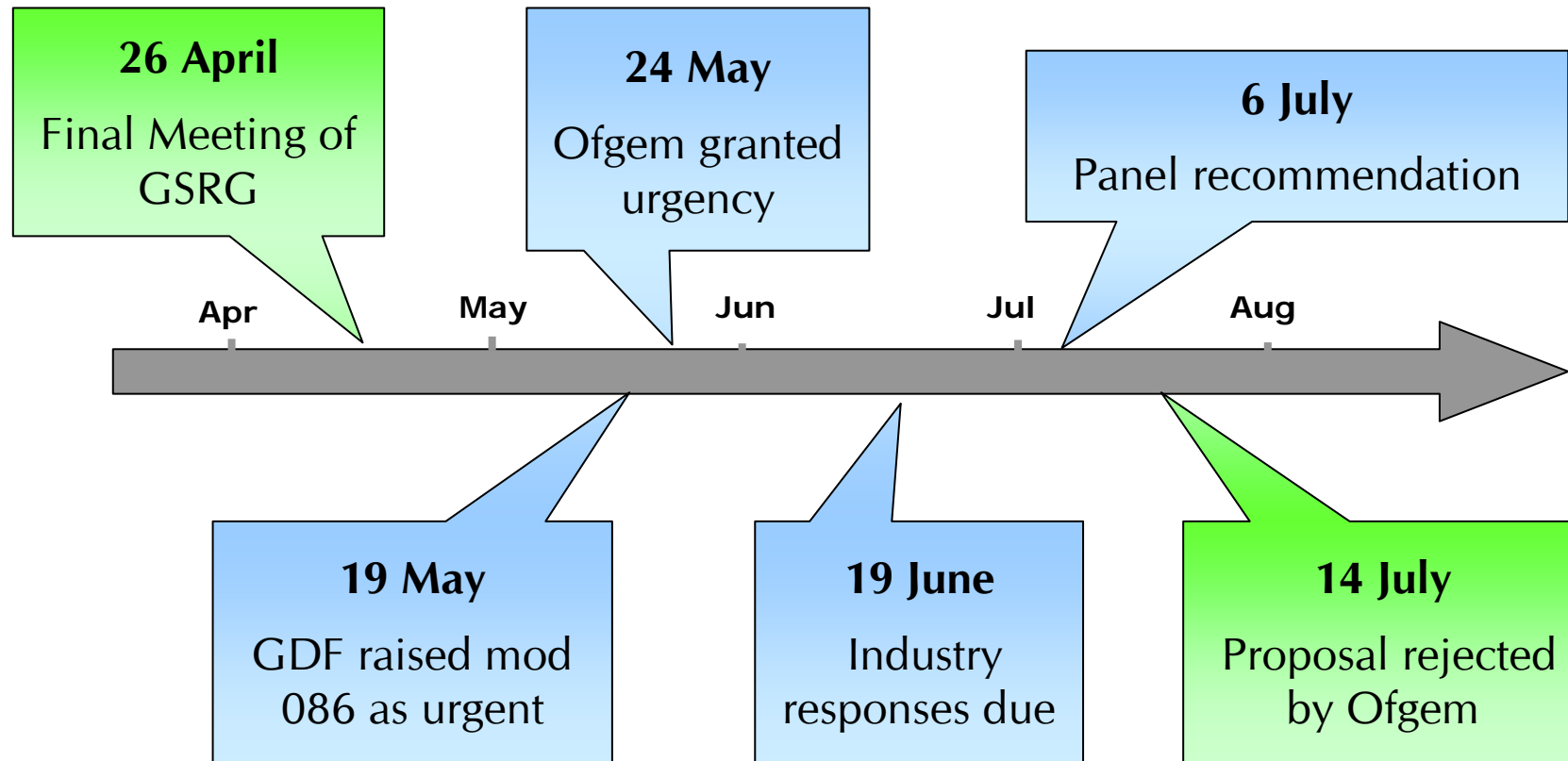


The title "UNC Modification 086" is centered within a white rounded rectangle with an orange border. The background of the slide is a blue-tinted image of electrical components, including a power outlet and a meter, with a white rounded rectangle containing the title text.

UNC Modification 086

Update on Ofgem's decision and way forward

Overview of process



UNC Modification 086

Introduction of Gas Demand Management Reserve Arrangements
Sought to enable NG (NTS) as SO to procure DSR via reserve contracts

TENDER

NG would conduct a tender process with shippers and enter into reserve contracts with successful bidders

PAYMENT

Successful bidders would receive an availability payment and a further payment for utilisation

IMBALANCE

- Utilisation fee included in SMP buy on day called
- Availability fee included in SMP buy on flat daily basis

Ofgem's decision

Rejected UNC Modification 086

Blurs roles and responsibilities of market participants

Flat allocation of availability fee across duration of reserve contract would likely dampen cash out

NG responded that the option to tender for reserve contracts is available under existing arrangements

Not demonstrated that modification would increase DSR

**Stated
reasons**

Next steps

Winter 2006/07

Gas supplies likely to be tight this winter – encourage other proposals regarding potential ways of encouraging DSR

Winter 2007/08

Will publish our initial views on gas reserve arrangements for Winter 2007/08

New gas reserve working group likely to meet in Autumn, based on responses to this consultation

A large, central version of the ofgem logo is positioned in the middle of the slide. It features the word "ofgem" in white lowercase letters on a red rounded rectangular background. The background of the slide is a faded, blue-tinted image of electrical components, including a three-pin plug and a meter.

Promoting choice and value for all
gas and electricity customers